

YEAR OF CLEAN WATER

Water Education Drops

Edition #9

Clean Water State Revolving Fund Program

Congress established the Clean Water State Revolving Fund (CWSRF) Program in 1987 through amendments to the Federal Clean Water Act (Title VI) after recognizing that many local communities face difficulties in securing affordable financing to construct improvements to wastewater water facilities needed to comply with state and Federal environmental standards.

EPA provides grant funding to the states through the CWSRF program. The states then make low interest loans for the construction of new and upgraded facilities to municipal wastewater facilities and other water quality activities. States establish application procedures, project eligibilities (within broad national guidelines), methods for ranking and selecting loan recipients, and loan terms (length of loan and interest rate). The District of Columbia receives funding under the CWSRF appropriation, but is exempted from establishing a loan program. Instead, EPA awards grants to the District for identified projects.

EPA encourages the states to make CWSRF loans in accordance with the state's highest water quality priorities. For a listing of what types of projects can be funded by CWSRF Program, check the website at the end of this lesson.

Questions:

1. How much money is available?
2. How much money has been lent in Region III?
3. Can nonpoint source projects receive CWSRF loans?
4. Who can apply for CWSRF loans?
5. How are projects selected for funding?
6. What is EPA's role in the CWSRF program?
7. How much money can be loaned for any one project?
8. What is a "dedicated repayment source?"
9. Why might someone apply for a loan instead of a grant?

Answers:

1. How much money is available?

A. Since the beginning of the program, Region III has awarded over \$2 billion in CWSRF grants. Along with the required 20% state match, states have over \$2.5 billion in “seed” money for their loan programs. Over time, as loans are repaid, additional funds become available for more loans. Some states also issue bonds to raise additional funds for the loan program. In recent years, national funding has been about \$1.3 Billion annually.

2. How much money has been lent in Region III?

A. Since the beginning of the program, Region III states have made over 2,300 loans, totaling almost \$2.8 Billion. Region III awards have been: Delaware, \$6.5M; Maryland, \$32.2M; Pennsylvania, \$52.8M; Virginia, \$27.3M; West Virginia, \$20.8M; and the District of Columbia, \$6.5M.

3. Can nonpoint source projects receive CWSRF loans?

A. Absolutely. Under Title VI of the Clean Water Act (CWA), states have broad authority to make CWSRF loans not only to traditional publicly owned wastewater collection and treatment facilities, but also for nonpoint source (NPS) and estuary activities. Region III is one of the few Regions in which all states are funding NPS activities. Since the inception of the program, Region III states have made over 1400 loans for NPS projects totaling almost \$96 Million.

4. Who can apply for CWSRF loans?

A. Under the CWSRF program, wastewater and collection systems must be publicly owned. If allowed under state law and rules, loan applicants for NPS and estuary projects include farmers, homeowners, homeowner associations, nonprofit organizations, businesses, and others.

5. How are projects selected for funding?

A. States are responsible for selecting projects to receive CWSRF loans. Each state annually solicits interest in assistance and prepares an Intended Use Plan (IUP) which outlines how the state plans to use all available funds during the year. Each state has its own specific procedures for reviewing potential projects, such as financial hardship, relative water quality benefits, location within high priority watersheds, or other factors. States are responsible for setting the terms of the loans (up to 20 year repayment period and interest rates between 0 and market

rate).

6. What is EPA's role in the CWSRF program?

A. Under the CWA, the CWSRF program is state-managed and directed; it is not a delegated program. EPA encourages the state CWSRF managers to work closely with state NPS and estuary managers to identify potential projects. EPA also annually reviews state CWSRF programs to assure that the states are complying with applicable requirements and encourages states to manage their programs to support broad national environmental objectives, by providing assistance in program implementation.

7. How much money can be loaned for any one project?

A. There is no Federal statutory or regulatory cap on the amount of money that states can loan for a particular project. There have been \$2,000 loans in Delaware to repair an on-lot septic drainage field and a \$50 million dollar loan for a treatment plant upgrade in Fairfax County Virginia. Some states place cost limits on projects to provide some level of funding to more projects.

8. What is a "dedicated repayment source?"

A. Most commonly, sewer charges are used for repayment of loans. States and loan applicants may identify a variety of revenues for repayment of loans such as recreational fees, property taxes, flock payments, membership dues, and homeowner association fees.

9. Why might someone apply for a loan instead of a grant?

A. Loan funds are available now, whereas grant funds are limited. Loan funds, especially those for NPS projects, have fewer Federal requirements than those funded under Federal grants. A grant with a cost share could be more costly than a loan with a low interest rate (depending on the grant's cost share percentage and the loan's repayment terms).

For more information:

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or

<http://www.epa.gov/reg3wapd/srf/index.htm>